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SUBJECT: IRAQI INFRASTRUCTURE SECURITY: FIRST REAL PROGRESS
REPORTED TO NATIONAL ENERGY COUNCIL ON OIL PIPELINE SECURITY

REF: BAGHDAD 2790 AND PREVIOUS

Classified By: ECONOMIC MINISTER COUNSELOR ANNE DERSE FOR REASONS 1.4 B

AND D.

11. SUMMARY: (C) On July 4, the Deputy Commander of the Iraqi Armed forces briefed the NEC on a new plan for the defense of the oil infrastructure in the vicinity of Kirkuk-Bayji, including the Al-Fathah Crossing. The key elements were the planned commitment of two battalions of the Iraqi Army to control the area while the current Strategic Infrastructure Battalions (SIBs) were assimilated into the Iraqi Army. The command of the entire area will be under the Commander of the Iraqi 4th Infantry Division, headquartered in Kirkuk. The Iraqi forces will conduct security operations until the SIBs are assimilated into the regular army (including necessary vetting) and then trained to appropriate standards to guard the pipelines and key oil infrastructure nodes. MNF-I will provide resources to support the initial defense, including intelligence support and a quick reaction force to support the Iraqi forces. Iraqi forces will begin to use aerial reconnaissance, using small airplanes to patrol the routes over the pipelines. It was reported that MNSTC-I would assist in training the forces.

12. (C) The Ministry of Oil will provide specialized training on oil protection. Priority of defense of linear oil infrastructure was designated at the meeting, with Kirkuk to Bayji being highest, then Bayji to Mosul, followed by Bayji to Baghdad, and finally Baghdad to Basrah. Hardening of infrastructure will be concurrent, with key nodes being hardened and guard forces established over the next few months. The MOD will become responsible for the security of the oil infrastructure as of August 1, 2005. The DPM thanked the Armed Forces and General Casey for their work in bringing forward this plan of protection; however, the Minister of Industry reminded all that success would not be declared until oil flowed to Turkey. END SUMMARY.

13. (C) DPM Ahmed Chalabi convened the eleventh meeting of the ITG National Energy Council (NEC) on July 4. The purpose of the meeting was to receive a new briefing on an MNF-I/Ministry of Defense plan to defend the northern Iraqi oil pipelines. Those attending included the Ministers of Oil (MOO), Electricity (ME), Water Resources (MWR), Planning and Development (MOPD), Industry and Minerals (MIM), Agriculture (MOA), Deputy Minister of Finance (MOF), Deputy Minister of Interior (MOI), Deputy National Security Advisor, MOD Director General of Programs and Budget, Deputy Commander of the Iraqi Armed Forces, Commander of the 4th Iraqi Division, EMINCOUNS, IRMO Director and emboffs. The DPM opened the meeting with his assessment of the current strategy of the insurgents, and said that in his opinion, their strategy was to attempt to strangle the economy of Iraq by cutting off essential services to Baghdad, citing the interruptions of water, electricity and fuels. He then stated there was a major disinformation campaign and infighting against the ITG by political parties campaigning against the current government. He warned each of the ministers that they had no right to interfere in any judicial decisions. He complimented the ministers by saying they were all doing good work, and was pleased to tell them there had been no explosions or major attacks against the infrastructure for the past six days. The Minister of Oil responded to this compliment by saying, "Inshallah".

REVISED PLAN FROM MOD/MNF-I TO GUARD OIL PIPELINES

14. (C) The Deputy Commander of the Iraqi Armed Forces, LTG Abadi, briefed the new infrastructure security plan to the NEC. LTG Abadi began by effusively thanking DPM Chalabi for his efforts in talking to General Casey of MNF-I to open the door for Iraqi Forces to be employed to defend the oil infrastructure. He said General Casey had agreed to support the Iraqi efforts to protect the infrastructure, to include providing back-up quick reaction forces.

15. (C) LTG Abadi provided an assessment of the security situation at Al Fathah Crossing, saying there were many problems, especially with checkpoints along access roads into the area. To rectify this situation, LTG Abadi said the Iraqi Army would move a brigade to the vicinity of the

northern oil infrastructure to enhance security and provide quick reaction forces. The initial forces are in place and only small adjustments are required. He also said Iraq was going to receive \$16 million to support this effort. Initially, MNF-I will provide support by placing two officers in the intelligence cell to improve intelligence support to the infrastructure protection forces. A road will be built parallel to the pipeline to provide quick reaction access to the pipeline corridor. Better intelligence links will be needed between the security forces and the intelligence cell; these are dependent on improved communications. Two radios have been requested for each battalion. The planners for this operation are currently on a three-day visit to the North; the results of their reconnaissance visit will be reported at the next NEC meeting.

16. (C) LTG Abadi described the new plan as a joint effort by Iraqi armed forces, including ground troops and aerial reconnaissance along the pipeline corridors. He said that Iraq would use six small planes for this purpose, adding that Iraq already has the trained pilots and planes, but insufficient spare parts. The ground forces will include two trained Iraqi Army battalions from the 4th Iraqi Infantry Division (ID). The command and control for the operation will remain with the Commander of the 4th ID. The four current Strategic Infrastructure Battalions (SIBS), made up of tribal forces, will be integrated as quickly as feasible into the Iraqi Army. That process of integration is currently occurring, with about 450 soldiers assimilated per day. The key aspect of screening of the soldiers is the intelligence interview to screen out insurgents from these units. LTG Abadi said, "We are doing a good job of recruiting and assessing these soldiers." The Deputy Minister of Interior (DMOI) offered support to screen these recruits and assist in background investigations. The MNSTC-I training requirement restriction, is that they will only train members of the Iraqi Army, so that is why all the security forces must be part of the Iraqi Army. MOO will provide training for the soldiers to prepare them for the unique aspects of guarding oil infrastructure.

17. (C) Priority of defense of oil infrastructure was designated at the meeting by consensus of the NEC ministers, with Kirkuk to Bayji being highest, then Bayji to Mosul, followed by Bayji to Baghdad, and finally Baghdad to Basrah. Hardening of infrastructure will be concurrent, with key nodes being hardened and guard forces established over the next few months. Close coordination will be required between the ministries of Oil, Defense and Interior. The MOD will become responsible for the security of the oil infrastructure as of August 1, 2005.

18. (C) LTG Abadi explained the units would not have sufficient four-wheel-drive vehicles, so these units would be issued two-wheel-drive pickup trucks until other military vehicles could be found. He said 120 officers would be used to train the new battalions. He emphasized that this had been a rapidly evolving plan, and the budgeting had not caught up with the force planning and proposed moves. He did say the units had about 60 percent of the required equipment for operational capability. He said MNF-I would be providing \$60 million for the battalions for equipment. (NOTE: MNSTC-I has promised to match MOD expenditures of up to \$35M. END NOTE.) He requested the MOO provide the armed forces with technical oil maintenance and repair teams. The Army could transport them to attack sites and protect them while they conduct repairs. He said, "We want specialists in oil repair and protection." He specifically stated key nodes, like the pumping stations and important valves, would be hardened and guarded with concrete barriers and guard towers.

19. (C) The Commander of the 4th ID said each battalion should be increased in strength by 250 soldiers for these missions. The Deputy National Security Advisor then stated that the NEC should determine how the brigades should be constructed and deployed to meet the larger mission in the north. He continued by explaining that the defensive area to be covered for the pipelines is quite extensive, extending all the way to the Turkish border. The Commander of the 4th Infantry Division responded that there would be a second phase of this operation to secure the area along the pipeline north from Bayji to Mosul and then to the border. The CG of the 4th ID requested that the NEC ministers not disrupt the Chain of Command and let him figure out the deployments and stationing of the brigades and battalions. He concluded by saying, "Let's keep it simple!"

10. (C) LTG Abadi said he needed to do more planning for future deployments and troop stationing, as he also needed to begin assessing how to protect the electrical towers and other infrastructure across the country. The MOF stated the budget allocated \$800 million for oil production. DPM Chalabi stated, "We have managed to increase the importance of producing oil. I do not believe we can go forward unless making this the first priority for reconstruction." DPM thanked the Armed Forces, General Casey and the US Ambassador

for their work in bringing forward this plan of protection. The Minister of Industry commented, "Success should not be declared until oil flows to Turkey."

ELECTRICITY UPDATE TO NEC

11. (SBU) The Minister of Electricity (ME) announced to the NEC that electricity production had exceeded pre-war levels, as 5300 MW of peak power and 124000 MWH had been reached, with an average generation capacity reaching 4800 MW this week. This still only resulted in 3 hours on and 3 hours off for electricity across much of Iraq. The DPM asked if the deal for the power from Iran had been fixed, and the ME responded that Iran was in the midst of the high summer demand period and had no excess power available. The ME continued that he had met with the Iranians that morning and he will sign the final agreement with Iran shortly. The ME followed this with a report that he was still trying to get 400 MW of electricity from Turkey, but there continues to be an EU constraint against Turkey selling power to Iraq. The DPM said, "It is all in the hands of Iran; you need to negotiate with them." ME said he would need about \$300 million to pay for electricity imports. The DPM then asked for an update on the Youssifiya Project. The ME said, "I talked to the people in the North, and there could be a new electric power station for 1400 MW." The MOWR said, "The Bakhman Dam could provide 1400 MW, but the current design provides for only 400 MW." ME said the V94 alone would add 260 MW. The ME told the DPM, "We have been told we need to provide 20K MW, but we can provide only 8K MW. It will take 25,000 metric tons of oil per day to generate 20K MW of Power."

NATURAL GAS

12. (SBU) The ME said, "We should focus on free resources, not oil. We should use dry gas. Sixty-five percent of the gas is flared." The DPM concurred, saying, "We need a plan for gas." The MOO said, "We have gas from the oil fields at Khurmala and Quds and large gas fields at Missan and Az-Zubayr." The DPM said, "We need to focus on refineries and gas." The MOO said, "ME and MIM should quit using gasoil (diesel) for factories and electricity. We need to quit using gasoil, and we need to build a gas infrastructure network to capture, process, and use the dry gas." The DPM said, "A gas plan is desired."

REFINERIES

13. (SBU) The DPM asked, "What is the processing capacity of our refineries?" The MOO responded, "If all refineries were working at full capacity, we would refine 650,000 bpd of crude oil. The only cracking plant is at Bayji. We have a plan to develop the refineries. We have a plan for a 70,000 bpd expansion at Doura Refinery, and additional planned expansions at Basra. We produce 50 percent of our refined products at Basra." The DPM said, "We need more expansion than those plans." MOO responded, "We have long-term plans for a 300,000 bpd refinery at Basra and a 70,000 bpd refinery at Sulimaniya." DPM said, "We cannot afford those, but we could with private investment. We need a Petroleum Law." MOO said, "We have a plan for a Petroleum Law to present to the TNA to permit the import and refining of fuels and authorization for private sales of fuels. I have talked to several refining companies about private sector investment in Iraq." DPM replied, "Good idea. We need to be able to export from our refineries." The DPM continued, "There has been a decline in the production from the southern fields. Last year we were producing 2.4 million bpd, and it is now declining. We have no vision for our national budget, and we do not have the right management skills to run our oil fields. We had a \$3 billion budget for oil, and we did not use this money for investment, but rather we used it for fuel imports." MOO added, "MOO has problems in technology, drilling fields, and entering the modern petroleum world. We need to bring back INOC (Iraqi National Oil Company). It needs to be independent. We need to send the INOC Plan to the Assembly." The DPM said, "Send the INOC Plan to me, and I will review it and sign it."

COMMENTS

14. (C) COMMENT: The NEC made a great leap forward at the July 4 meeting. There is now the basis of a viable plan for the protection of the critical infrastructure across Iraq. The NEC has set the priorities for protection, and the MOD is supporting with the planned commitment of trained Iraqi Armed Forces. This illustrates a positive commitment and coordination between the MOD and the MNF-I in future planning

and force deployments, a positive development for the maturation of the Iraqi government. This is also an important Iraqi military response to continued attacks on strategic infrastructure. The NEC can be expected to expand this planning to the other key aspects of national essential infrastructure over the next few months, helping to ensure the provision of basic essential services for the people of Iraq. The ministers of the NEC are cooperating and there appears to be the beginnings of coherence in national level planning and execution. While the words sound positive, they must be followed with funding decisions that provide the MOD with the financial resources to accomplish this mission.

12. (C) The NEC discussion on private sector investment and best use of petroleum/natural gas resources is another giant leap forward. Any discussions or plans to obtain electricity and/or fuel from Iran and Turkey need to be watched carefully. The Iraqis are presenting their views of the economic benefits to Iraq of an integrated and synchronized electrical grid constructed between Turkey, Iran and Iraq, permitting power sharing and maximizing the regional benefits of both hydropower and natural gas resources. The NEC discussion on expanding refineries hints at the long-term goals of the Iraqi petroleum sector to follow the model of Saudi Arabia, and enhance the income stream from oil production and refining prior to export. The reestablishment of INOC would be a major step in the direction of providing management and coherence to the petroleum sector of the Iraqi economy. END COMMENT.

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